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SENATE

REPORT }
No. 95-744 }

AUTHORIZING APPROPRIATIONS FOR FISCAL YEAR 1979 FOR INTELLIGENCE ACTIVITIES OF THE U.S. GOVERNMENT, THE INTELLIGENCE COMMUNITY STAFF, THE CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM (CIARDS), AND FOR OTHER PURPOSES

APRIL 19 (legislative day, FEBRUARY 6), 1978.—Ordered to be printed

Mr. HATHAWAY (for Mr. BAYH), from the Select Committee on Intelligence, submitted the following

REPORT

[To accompany S. 2939]

The Select Committee on Intelligence bill to authorize appropriations during fiscal year 1979 for U.S. intelligence activities, the Intelligence Community Staff, the CIA Retirement and Disability System, and for other purposes, reports favorably thereon and recommends that the bill do pass.

PURPOSE OF THE BILL

This bill would for fiscal year 1979:

(1) authorize appropriations for (a) intelligence activities of the United States, (b) the Intelligence Community Staff, and (c) the CIA Retirement and Disability System;

(2) authorize the personnel and end-strengths for (a) the Central Intelligence Agency, and (b) the Intelligence Community Staff.

OVERALL SUMMARY OF COMMITTEE ACTION

[In millions]

	Fiscal year 1978	Budget request	Committee recommends	Committee recommended change
Intelligence activities.....	\$9.2	\$9.7	\$8.6	-\$1.1
Intelligence community staff.....	35.1	43.5	43.5	
CIARDS.....				
Total.....				

★(Star Print)

OVERALL PERSPECTIVE ON THE INTELLIGENCE BUDGET

The classified nature of U.S. intelligence activities prohibits the committee from disclosing the details of its budgetary recommendations. The committee has held hearings and reported its conclusions (S. Res. 207) on whether public disclosure of any of the amounts of funds authorized for U.S. intelligence activities would be in the public interest. The committee's conclusions and recommendations on this matter are awaiting consideration by the full Senate.

The committee has, however, prepared a classified report which describes in detail the full scope and intent of the committee's actions, and the specific amounts authorized for each of the major U.S. intelligence activities included in the bill. Moreover, it is the intent of the committee that the classified report, although not available to the public, will have the full force of any Senate report; further, that the intelligence community shall comply fully with the guidelines and directions contained therein.

The classified report is available for review by any member of the Senate, subject to the provisions of Senate Resolution 400.

SCOPE OF COMMITTEE REVIEW

The committee, through its Budget Authorization Subcommittee, has again this year undertaken a detailed review of all major U.S. intelligence programs and activities. This included:

- Detailed examination of eleven volumes (containing about 2,000 pages) of budget justification material, and a number of special studies requested by the committee;
- Hearings involving about 30 hours of testimony, which included the Director of Central Intelligence, high-ranking Defense Department officials, and each of the principal program managers; and
- Written responses by the intelligence community to several hundred questions for specific supplemental information.

During the course of this process, the subcommittee focused its attention on the following areas:

- How well the intelligence community is being managed, and the implications of the President's recent reorganization (E. O. 12036) for improving management of the community;
- The degree to which budget proposals are responsive to consumers' and policymakers' stated information needs;
- The longer-range implications of the current budget request on the scope and cost of intelligence over the coming 5 years;
- Following-up on areas which the committee identified last year that required attention, and insuring that appropriate corrective steps had been taken for improvement; and
- Insuring that intelligence activities proposed for funding do not violate the Constitution and laws of the United States.

OVERALL COMMITTEE FINDINGS AND RECOMMENDATIONS

Historical perspective

Over the past three decades international political and economic relationships have undergone substantial change, as has the nature

of U.S. intelligence operations and capabilities. Beginning in the mid-1950's with the introduction of the U-2 reconnaissance aircraft, technology has played an increasingly important role in all phases of the intelligence process. In the early days, for example, the U.S. intelligence system depended largely on open sources and espionage for access to information on foreign governments and their intentions. Today, while these sources continue to play a vital role, the intelligence process is heavily dependent on technology which provides a capability to acquire information that would otherwise be inaccessible. Indeed, it is largely advances in technology that have enabled the U.S. to enter into a variety of international agreements.

A similar change has occurred in the nature of the national policymakers' concerns. During this period consumer interests have broadened, and demands for better and more timely intelligence have continued to increase. Until the recent past, by far the greatest threat to U.S. national security has been the military capabilities and intentions of foreign nations. Today, while the military threat continues to absorb the vast majority of intelligence resources, other concerns have emerged that also pose a significant threat to our national security, such as international trade and monetary policy, energy and other scarce natural resources, nuclear proliferation, international terrorism and narcotics. All of these are requiring increasing attention by the intelligence system to enable U.S. policymakers to deal effectively in today's global environment.

The cost of intelligence grew markedly until about 1969, as a result of U.S. involvement in a variety of international developments, and expanding investment in technology. Since 1970 the current dollar cost of intelligence has continued to rise, but at a much more moderate pace, while manpower has been reduced by about half. By way of comparison, during this past decade the cost of intelligence has shown a steady decline when viewed as a percentage of either GNP, Federal spending, or defense spending.

Committee views

The committee regards the budget authorization process as a key aspect of effective congressional oversight of the intelligence community. In this context, it views its principal role as providing strong legislative guidance and direction, for the primary purpose of strengthening the U.S. intelligence effort.

As a result of its examination of the intelligence community's fiscal year 1979 budget request, the committee believes that, in general, intelligence continues to be well managed and responsive to U.S. policymakers' priority needs. It also believes that with the strengthened management role accorded the Director of Central Intelligence by the President's recent Executive Order the intelligence community's performance should improve. We intend to monitor the results of these efforts closely during the coming year.

As with any large, complex organization, however, the committee has identified areas that require continued management attention and improvement. In this regard, guidance has been provided to the com-

munity in the classified report, and in certain instances, special studies have been requested to begin to develop plans for corrective action. Examples of such areas identified include the following:

- Management and coordination of ADP resources throughout the Community;
- Steps to improve the quality of analysis;
- More in-depth analysis of the substantive value of budget proposals relative to their cost;
- More explicit evidence of the tradeoffs and alternatives considered in arriving at budgetary decisions.

The committee's recommendations on the fiscal year 1979 budget provide for a number of major and highly significant new initiatives to meet the needs of national policymakers. These initiatives will have a significant impact on the amount of resources devoted to intelligence over the next 5 years, but are considered absolutely essential if U.S. intelligence capabilities are to be able to respond adequately to the needs of national policymakers in the 1980's.

TITLE I

INTELLIGENCE ACTIVITIES

Committee recommendations

Details of the committee's recommendations with respect to amounts to be appropriated for intelligence activities covered under this title for fiscal year 1979 are contained in a classified report.

TITLE II

INTELLIGENCE COMMUNITY STAFF (ICS)

	<i>Millions</i>
ICS request.....	\$9.7
Committee recommended change.....	-1.1
	<hr/>
Committee recommendation.....	\$8.6

Authorization request

The Intelligence Community Staff requested \$9.7 million and 170 personnel for fiscal year 1979 to support the Director of Central Intelligence in fulfilling his responsibilities for overall management and direction of the intelligence community.

Committee recommendation

The committee recommends an appropriation in the amount of \$8,593,000 for the Intelligence Community Staff for fiscal year 1979. This is a reduction of \$1,090,000 or 11.3 percent from the budget request.

For the fiscal year beginning October 1, 1978 the committee recommends a personnel ceiling of 170 full-time employees. Such employees may be permanent employees, employees on detail from other organizations within the intelligence community, or a combination thereof.

The committee has been advised that plans are underway to reorganize and augment the staff support to the Director of Central Intelligence in response to E.O. 12036. The committee desires to hold hearings and examine these proposals in detail before implementation.

Committee recommended changes

Contractual services..... -\$1,090,000

The Intelligence Community Staff requested \$3.1 million in fiscal year 1979 for external research and analysis across a broad range of subjects. This represents a 63 percent growth in funding for these purposes, which the committee was not convinced was fully justified; particularly in light of the impending realignment of missions and functions, and staff augmentation. Therefore, a reduction of \$1,090,000 is recommended, which still provides sufficient funding for a reasonable level of effort to supplement critical needs in the near term.

TITLE III

CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM
(CIARDS)

	<i>Millions</i>
CIA request.....	\$43.5
Committee recommended change.....	-----
Committee recommendation.....	43.5

Authorization request

The Central Intelligence Agency requested \$43.5 million in fiscal year 1979 for the CIA Retirement and Disability Fund to finance the cost of: (1) interest on the unfunded liability, (2) annuities attributable to credit allowed for military services, (3) benefits not met by employee/employer contributions, and (4) the increase in unfunded liability resulting from liberalized benefits and Federal pay raises.

The Central Intelligence Agency Retirement Act of 1964 for Certain Employees (Public Law 88-643, October 13, 1964) authorized the establishment of a Central Intelligence Agency Retirement and Disability System for a limited number of Agency employees, and authorized the establishment and maintenance of a fund from which benefits would be paid to qualified beneficiaries.

The benefits structure of CIARDS is essentially the same as for the Civil Service Retirement System with only minor exceptions. These exceptions are: (a) annuities are based upon a straight two percent of high-three average salary for each year of service, not exceeding 35; (b) under stipulated conditions a participant may, with the consent of the Director, retire or at his direction be retired at age 50 with 20 years of service, or a participant with 25 years of service may be retired by the Director regardless of age; and (c) retirement is mandatory at age 65 for personnel in grade GS-18 or above and at age 60 for personnel in grades GS-17 and below, except that the Director may in the public interest extend service up to 5 years.

In order to provide for the continuing solvency of the CIARDS Funds, financing legislation comparable to that enacted for the Foreign Service retirement and disability fund was enacted as Public Law 94-522 (October 17, 1976).

Committee recommendation

The committee recommends appropriation of the full amount requested for the CIA retirement and disability fund for fiscal year 1979.

COMMITTEE JURISDICTION OF INTELLIGENCE MATTERS

This is the second annual authorization for intelligence activities of the U.S. Government. As was foreseen by the authors of Senate Resolution 400, there have been some problems raised concerning jurisdiction. These problems have, for the most part, been resolved by good-faith efforts on the part of the committees concerned. The most difficult jurisdictional problems have arisen in a category of intelligence activities called "intelligence related activities" which comprises certain intelligence programs funded by the Department of Defense. Intelligence related activities contain some programs which are clearly tactical, others which are clearly national, and some programs which are in both categories.

Under Senate Resolution 400, the national foreign intelligence program is the sole jurisdiction of the Select Committee on Intelligence. These programs include the CIA, and the programs and entities over which the Director of Central Intelligence has immediate jurisdiction.¹ The jurisdiction of the Select Committee on Intelligence is set forth in Senate Resolution 400 as follows:

SEC. 3. (a) There shall be referred to the select committee all proposed legislation, messages, petitions, memorials, and other matters relating to the following:

(1) The Central Intelligence Agency and the Director of Central Intelligence.

(2) Intelligence activities of all other departments and agencies of the Government, including, but not limited to, the intelligence activities of the Defense Intelligence Agency, the National Security Agency, and other agencies of the Department of Defense; the Department of State; the Department of Justice; and the Department of the Treasury.

(3) The organization or reorganization of any department or agency of the Government to the extent that the organization or reorganization relates to a function or activity involving intelligence activities.

¹ The Director of Central Intelligence has budgetary authority under Executive Order 12036 over the following national programs and entities:

Central Intelligence Agency; National Security Agency and the military service cryptologic agencies; Defense Intelligence Agency and units and activities of the military services that serve primarily departmental and national intelligence needs; units and activities within the Department of Defense for specialized reconnaissance; selected counterintelligence units and activities of the military services; Department of State, Bureau of Intelligence and Research; intelligence activities of the Department of Treasury; intelligence activities of the Department of Energy; intelligence activities of the FBI; intelligence activities of DEA; and the Intelligence Community staff.

(4) Authorizations for appropriations, both direct and indirect, for the following:

(A) The Central Intelligence Agency and Director of Central Intelligence.

(B) The Defense Intelligence Agency.

(C) The National Security Agency.

(D) The intelligence activities of other agencies and subdivisions of the Department of Defense.

(E) The intelligence activities of the Department of State.

(F) The intelligence activities of the Federal Bureau of Investigation, including all activities of the Intelligence Division.

(G) Any department, agency, or subdivision which is the successor to any agency named in clause (A), (B), or (C); and the activities of any department, agency, or subdivision which is the successor to any department, agency, bureau, or subdivision named in clause (D), (E), or (F) to the extent that the activities of such successor department, agency, or subdivision are activities described in clause (D), (E), or (F).

SEC. 12. Subject to the Standing Rules of the Senate, no funds shall be appropriated for any fiscal year beginning after September 30, 1976, with the exception of a continuing bill or resolution, or amendment thereto, or conference report thereon, to, or for use of, any department or agency of the United States to carry out any of the following activities, unless such funds shall have been previously authorized by a bill or joint resolution passed by the Senate during the same or preceding fiscal year to carry out such activity for such fiscal year:

(1) The activities of the Central Intelligence Agency and the Director of Central Intelligence.²

(2) The activities of the Defense Intelligence Agency.

(3) The activities of the National Security Agency.

(4) The intelligence activities of other agencies and subdivisions of the Department of Defense.

(5) The intelligence activities of the Department of State.

(6) The intelligence activities of the Federal Bureau of Investigation, including all activities of the Intelligence Division.

Although purely tactical military intelligence programs are recognized to be the sole jurisdiction of the Armed Services Committee, the Select Committee on Intelligence requires access to all information concerning such programs in order to fully understand the scope and dimensions of U.S. intelligence activities and their relationship to, and impact upon, the national foreign intelligence program.

The Senate Armed Services Committee amendment to the select committee bill correctly identifies that the two committees have been

² See footnote on page 6.

unable to resolve the issue of jurisdiction over so-called intelligence related activities. The Armed Services Committee maintains that intelligence related activities is a category which was created in the Defense budget in order to make more visible those programs in tactical or battlefield intelligence and therefore is not within the committee's jurisdiction as defined in Senate Resolution 400, which states that "intelligence activities does not include tactical, foreign, military intelligence serving no national policymaking function."

While the select committee is in full agreement with the Armed Services Committee that tactical intelligence programs do compose part of intelligence-related activities—intelligence-related activities is a broader category than just tactical intelligence.

Intelligence-related activities was established as a budget authorization category by the House Appropriations Committee during consideration of the fiscal years 1975 and 1976. Defense appropriations request as a method to pull together all those intelligence activities in the Defense Department which DOD had not traditionally identified as program III intelligence. The House Appropriations Committee was concerned with both tactical intelligence activities and other intelligence activities of the DOD (such as training) which serve both tactical and national needs and therefore fall in the grey area.

The DOD definition of intelligence-related activities identifies it as including both national and tactical intelligence activities. This definition as established in DOD Budget Guidance Manual 7110-1-M states that IRA includes activities which fall under any one of five criteria:

- (1) "Respond to operational commanders tasking for time sensitive information on foreign entities."
- (2) "Respond to national intelligence community tasking of systems whose primary mission is to support operating forces."
- (3) "Train personnel for intelligence duties."
- (4) "Provide an intelligence reserve."
- (5) "Are devoted to research and development intelligence or related activities."

These criteria clearly recognize that national intelligence interests are involved in intelligence-related activities, not only in specific aspects of tasking but implicitly in the training of personnel and in activities which affect research and development.

While the committee recognizes that intelligence-related activities contain many programs which serve no national policymaking role, certain specific programs clearly are of major import to the national policy makers. For example, intelligence-related activities includes the entire array of missile and bomber warning systems which monitor Soviet missile firings and warn of strategic attack, the systems which monitor the activities of all nations in space, and programs which enable the President to determine the nature of the threat presented by Soviet ballistic missile submarines to the United States.

The select committee is therefore of the view that while it respects the Armed Services Committee's sole jurisdiction over purely tactical intelligence activities, the equation of the category of "intelligence-related activities" with the category of tactical activities does not recognize the clearly national importance of some of the programs contained therein.

The authors of Senate Resolution 400 intended that so-called intelligence-related activities would be the joint responsibility of the Senate Select Committee on Intelligence and the Senate Armed Services Committee. In fact, in carrying out this duty, the members and staff of the Senate Select Committee on Intelligence have worked very closely with the members and staff of the Armed Services Committee which has resulted in a far more rigorous scrutiny of this category of activities than has ever been the case. There is no question that intelligence-related activities remains a grey area as a category. The Select Committee on Intelligence has been scrupulous, however, to confine its primary interests to national intelligence activities. On the basis of experience we have had to this point, it is the committee's view that the shared jurisdiction in this area has worked to the benefit of the Senate as a whole.

Finally, Senate Resolution 400 provides for the membership on the Senate Select Committee on Intelligence of Senators who are also members of other committees whose jurisdiction might be affected by intelligence activities. The present Select Committee on Intelligence has four members who also serve on the Senate Armed Services Committee: Senators Hart, Morgan, Goldwater, and Garn. These Senators, because of their membership on both committees, have given added depth, experience, and perspective to the work of both committees. The purpose of the Senate in creating the Select Committee on Intelligence was to meet the need for providing effective congressional oversight for intelligence activities of the United States. By means of the authorization process, scrutiny of all programs and continuing study and reviews of all areas of intelligence, this need has been successfully met. The success that the committee has enjoyed thus far is in large measure due to the understanding and cooperation of all committees and all Senators who have striven to resolve such jurisdictional questions that have arisen so that the important work of oversight can succeed.

